



Recycling Markets and Opportunities for Local Government Recycling Program Expansion

OVERVIEW

It is commonly argued that there are limits to recycling because of lack of markets or weakness in markets. However, the experience of many North Carolina local governments has shown that markets are adequate and allow for program expansion. Moreover, markets have consistently indicated their desire to consume more materials (see *Markets Prospectus* below). Local governments have the power to strengthen markets through buy recycled programs. They also have the power to make their programs more efficient and work more effectively with markets. In short, recycling markets allow local governments to expand and improve programs; taking advantage of the opportunities to do so can result in greater cost-efficiency.

HOW RECYCLING MARKETS WORK

Recyclable materials are commodities. They have value to manufacturers as “feedstock” to make products. Many industries increasingly **depend** on recycled materials to make products.

Markets in their simplest form are *relationships* between suppliers and demanders. The major commodity industries (paper, plastic, metals, glass, etc.) are continuing to make a demand shift toward recycled materials, partly in response to supplies available from local government curbside and drop-off programs and to the growing demand for recycled products.

The commodity industries are making decisions every day on which feedstocks they will use to make their products. A rising level of commitment from suppliers (local governments) and demanders (industry) of recycled feedstock has been the pattern of the 1990s. These commitments and the associated market relationships can easily grow. Industry will decidedly **not** invest in new recycled capacity if suppliers (e.g., local governments) draw back from their commitment. They will respond with new capacity as supply increases. The paper industry, for example, invested in over *10 million tons* in new recycled paper-making capacity in the 1990s.

Moving a recycled material from a home or business to a market requires three main steps. It must be collected, processed (e.g., baled or crushed) for efficient transport, and delivered to a manufacturing plant to be remade into new products. Each of these steps has costs, but there are opportunities for revenues as well. Revenues depend on many things: for example, the kind of material, who is responsible for what steps, and what the manufacturer is able to sell their product for. Recyclable commodities are also part of the general global trade in commodities and they compete with virgin materials, so worldwide economic forces can affect prices.

As with any commodity or product, there is a relationship but also a difference between *prices* paid for a material and the *demand* for the material. Gasoline, for example, is in constant demand, but gasoline process fall or rise in response to many factors. Prices can fluctuate for any number of reasons, but that does not mean that *demand* does not exist. For example, prices paid for recycled PETE plastic (soda bottles) have been subdued in recent years because of low oil prices and a large competing virgin supply. However, there has been consistent *demand* for PETE even at these low prices and no local government or processor has been turned away from the market.

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